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BARTACO INDUSTRIES LIMITED

Annual Report 1975

Bartaco Industries Limited

and subsidiary companies

Corporate Offices: West Street, South,
Orillia, Ontario, L3V 6L3 - Tel. (705) 325-6121

OFFICERS and DIRECTORS - 1975

OFFICERS

DAVID L. CHANDLER, Chairman of the Board

DOUGLAS R. McKAY, President

MELVILLE J. ELEMENT, Vice-President

FRANK W. SIMPSON, Secretary-Treasurer

DIRECTORS

DAVID L. CHANDLER, Executive
c/o Garvey, Ferriss
Toronto, Ontario

DOUGLAS R. McKAY, Executive
Galt Malleable Iron Limited
Cambridge, Ontario

MYRON S. GELBACH, Jr., Executive
Alco Standard Corporation
Philadelphia, Pennsylvania

HAROLD J. MURPHY, Q.C.
Garvey, Ferriss
Toronto, Ontario

FRANK W. SIMPSON, Executive
Galt Malleable Iron Limited
Cambridge, Ontario

WILLIAM F. DRAKE, Jr., Executive
Alco Standard Corporation
Philadelphia, Pennsylvania

TRANSFER AGENT and REGISTRAR

Shares: National Trust Company Limited
Montreal, Toronto, Winnipeg and Vancouver

LEGAL COUNSEL

GARVEY, FERRISS
Toronto, Ontario

AUDITORS

COOPERS & LYBRAND
Hamilton, Ontario

STOCK LISTINGS

Ticker Symbol 'BTI'

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held in the Manitoba Room at the Royal York Hotel, Toronto on Friday, February 27th, 1976, at 9:30 a.m., Toronto Time. Notice of this meeting, together with the Information Circular and Proxy Form is enclosed with this Report.

President's Report to the Shareholders:

On behalf of the Board of Directors, I am pleased to submit this Annual Report for the year ended September 30, 1975.

Consolidated sales for the year totalled \$14,616,995, up 9.5% over the previous year's \$13,328,056. Operational profit of Bartaco Industries Limited amounted to \$596,752, or \$.24 per share. A year earlier, the profit from the continuing operations was \$240,979, or \$.11 per share.

The Company's net profit, after extraordinary items, amounted to \$956,232, or \$.38 per share as compared with the net loss of \$1,542,173 or \$.82 loss per share in fiscal year 1974. Included in the net profit, as an extraordinary item, is the profit made by the Company on the sale of Lynco Heating Company, formerly controlled by the Factory Division of Otaco Limited.

The operations of the Company have almost exclusively been concentrated in the areas of Manufacturing, Construction and Engineering and management is pleased with the operational results.

In 1975 the Otaco Transit Seating Division developed "Innovator 1", a new seating system for bus, trolley and rail transportation. "Innovator 1" has generally received a warm reception from the Transportation Industry and the Company has orders from major bus suppliers for delivery in May 1976. This factor, combined with capital expenditure investments by the Company, gives reason for management's optimism as to the development and future growth of "Innovator 1".

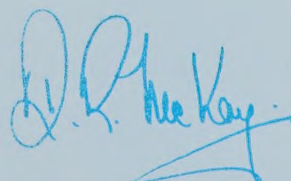
Improved performance was achieved by your Company in the Otaco Foundry and Factory operations. Although affected in the early part of the fiscal year by the slowdown in the automotive industry, the Foundry Division achieved a marked improvement in the last fiscal quarter with a greater number of castings scheduled. This improvement continues and management is optimistic about the 1976 results for this division.

In order to provide a more effective operating environment and reduce overhead costs, the Electronic Division of Otaco Limited was relocated in Orillia from Montreal.

On your behalf and for your directors I wish to thank the employees of Bartaco Industries Limited for their dedicated service and continuing support of policies and programs introduced by management.

To our shareholders may I also express on behalf of the Board of Directors our thanks for their confidence and encouragement and we look forward to meeting with you at the Annual Meeting of Shareholders that will be held in the Manitoba Room of the Royal York Hotel, Toronto, on Friday, February 27, 1976 at 9:30 a.m., Toronto Time. Notice of this meeting together with the Information Circular and Proxy Form is enclosed with this report.

On behalf of the Board of Directors.



Douglas R. McKay,
President

Orillia, Ontario
January 16, 1976.

Bartaco Industries Limited and Subsidiaries

Consolidated Financial Statements

Consolidated Statement of Income

For The Year Ended September 30

	1975 \$	1974 \$
REVENUES		
Net sales (note 6)	<u>14,616,995</u>	<u>13,328,056</u>
COST AND EXPENSES		
Cost of goods sold.	11,111,437	10,580,163
Selling, administrative and general.	2,007,174	1,559,954
Depreciation	262,388	259,989
Amortization.	19,439	35,247
Interest	308,873	504,755
Taxes on income		
Current	310,932	175,846
Deferred	—	(28,877)
	<u>14,020,243</u>	<u>13,087,077</u>
NET INCOME FROM CONTINUING OPERATIONS (note 7)	596,752	240,979
Loss from operations of subsidiaries sold during the year	<u>—</u>	<u>423,823</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS		
(note 7)	<u>596,752</u>	<u>(182,844)</u>
EXTRAORDINARY ITEMS		
Reduction of income taxes on application of prior years' losses	310,932	178,550
Profit (loss) on sale of a division	48,548	(1,537,879)
	<u>359,480</u>	<u>(1,359,329)</u>
NET INCOME (LOSS) FOR THE YEAR (note 7)	<u><u>956,232</u></u>	<u><u>(1,542,173)</u></u>

Consolidated Statement of Retained Earnings

For The Year Ended September 30

	1975 \$	1974 \$
Balance (Deficit) - Beginning of Year	(988,321)	590,048
Net income (loss) for the year.	<u>956,232</u>	<u>(1,542,173)</u>
	(32,089)	(952,125)
Preference dividends	—	36,196
Balance (Deficit) - End of Year	<u><u>(32,089)</u></u>	<u><u>(988,321)</u></u>

Consolidated Statement of Changes in Financial Position

For The Year Ended September 30

	1975 \$	1974 \$
SOURCE OF FUNDS		
Funds provided by operations		
Income (loss) from operations	596,752	(182,844)
Depreciation	262,388	259,989
Amortization	19,439	35,247
Changes in deferred credits	—	(28,877)
	<u>878,579</u>	<u>83,515</u>
Proceeds on sale of subsidiaries	—	387,482
Extraordinary items affecting working capital	359,480	194,245
Capital stock issued	—	600,000
Decrease in long-term investments	—	190,567
Net book value of fixed assets sold	8,158	48,957
Decrease in deferred charges	—	15,738
	<u>1,246,217</u>	<u>1,520,504</u>
APPLICATION OF FUNDS		
Purchase of property and equipment	170,154	86,428
Decrease in long-term debt	187,695	297,648
Increase in deferred charges	25,653	—
Dividends Paid	—	36,197
	<u>383,502</u>	<u>420,273</u>
NET INCREASE IN WORKING CAPITAL	<u>862,715</u>	<u>1,100,231</u>
WORKING CAPITAL — BEGINNING OF YEAR	215,160	361,747
Working capital of subsidiaries sold	—	1,246,818
	<u>215,160</u>	<u>(885,071)</u>
Net increase in working capital	<u>862,715</u>	<u>1,100,231</u>
WORKING CAPITAL — END OF YEAR	<u>1,077,875</u>	<u>215,160</u>
FUNDS REPRESENTED BY		
Current assets	4,053,136	5,474,637
Current liabilities	<u>2,975,261</u>	<u>5,259,477</u>
WORKING CAPITAL — END OF YEAR	<u>1,077,875</u>	<u>215,160</u>

	1975 \$	1974 \$
ASSETS		
Current Assets		
Accounts receivable - Trade (note 2)	1,939,793	2,766,427
Inventory - at the lower of cost or net realizable value (note 2)	2,055,185	2,521,106
Prepaid expenses	58,158	187,104
	<u>4,053,136</u>	<u>5,474,637</u>
 Total current assets		
 Due From an Associated Company (note 5)	<u>—</u>	<u>1,800,000</u>
 Property and Equipment - at cost		
Land	9,002	9,002
Buildings and improvements	1,733,873	1,761,862
Machinery and equipment	5,075,555	5,057,049
	<u>6,818,430</u>	<u>6,827,913</u>
Less: Accumulated depreciation	3,131,131	2,906,222
	<u>3,687,299</u>	<u>3,921,691</u>
 Other Assets - at cost		
Excess of cost of acquired companies over equity	80,950	80,950
Deferred charges (note 3)	171,189	155,975
	<u>252,139</u>	<u>236,925</u>
	<u>7,992,574</u>	<u>11,433,253</u>

Signed on behalf of the board

D. R. McKay

Director

F. W. Simpson

Director

Balance Sheet

as at September 30

	1975 \$	1974 \$
LIABILITIES		
Current Liabilities		
Notes and advances payable to bank (note 2)	1,679,567	2,936,721
Accounts payable and accrued liabilities	1,109,376	2,012,366
Current portion of long-term debt (note 4)	186,318	305,775
Dividends payable	—	4,615
Total current liabilities	<u>2,975,261</u>	<u>5,259,477</u>
 Long-Term Debt (note 4)	 <u>362,100</u>	 <u>549,795</u>
 Deferred Credits		
Forgivable loan	—	125,000
Excess of equity in acquired companies over cost	<u>106,505</u>	<u>106,505</u>
Total deferred credits	<u>106,505</u>	<u>231,505</u>
 SHAREHOLDERS' EQUITY		
Capital Stock (note 5)		
Preference	141,500	1,941,500
Common	<u>4,439,297</u>	<u>4,439,297</u>
	<u>4,580,797</u>	<u>6,380,797</u>
 Retained Earnings (Deficit)	 (32,089)	 (988,321)
	<u>4,548,708</u>	<u>5,392,476</u>
	<u>7,992,574</u>	<u>11,433,253</u>

Bartaco Industries Limited and Subsidiaries

Notes to Consolidated Financial Statements

For The Year Ended September 30, 1975

1—Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly owned.

Inventories

Inventories are valued at the lower of cost or net realizable value. At September 30, inventories consisted of:

	1975 \$	1974 \$
Raw materials and supplies	1,030,845	1,241,536
Work in process	895,974	1,112,565
Finished goods	128,366	167,005
	<u>2,055,185</u>	<u>2,521,106</u>

Fixed Assets

All fixed assets are recorded at cost. Depreciation is provided on a straight line basis for the majority of remaining asset values. The rates used are intended to write off the assets over their estimated useful lives.

Revenues

Revenue for the construction and engineering companies is recorded based on the percentage of completion method for significant contracts.

2—Security For Bank Advances

Bank advances are secured by a general assignment of book debts, shares in subsidiaries, fire insurance and inventory.

3—Deferred Expenses

Deferred expenses includes \$35,382 incurred in the development of new products for the Transit Seating division, a division of Otaco Industries Limited. This amount is the net cost to date after federal and provincial government assistance. Assistance received from the Urban Transportation Development Corporation is subject to repayment at a reducing rate based on the number of transit and suburban seats sold during the first six years of production. Otaco Industries Limited and Bartaco Industries Limited are committed to minimum repayments following the re-imbursement of expenditures and completion of the development program.

4—Long-Term Debt

	Total \$	Payable Within One Year \$	Long-Term Portion \$
7¼% debenture due monthly to 1981	423,300	61,200	362,100
Sundry notes and mortgages payable with varying interest rates	2,425	2,425	—
8% note payable monthly, maturing in 1976	122,693	122,693	—
	<u>548,418</u>	<u>186,318</u>	<u>362,100</u>

5— Capital Stock

Authorized

98,375 Preference shares with a par value of \$20 each issuable in series
2,700,000 Common shares of no par value

Issued

7,075 6½% Series A cumulative voting preference shares, redeemable at par	141,500
2,467,537 Common shares	4,439,297
	<u>4,580,797</u>

The 90,000 Series B 6% cumulative, redeemable, convertible preference shares, with a par value of \$20 each and aggregate value of \$1,800,000 were redeemed and cancelled during the year. As previously reported, an associated company was committed to pay the cost of purchasing these shares for cancellation.

At September 30, 1975 dividends in arrears on the 6½% Series A cumulative preference voting shares amounted to \$13,796.

Continued on next page

Bartaco Industries Limited and Subsidiaries

Notes to Consolidated Financial Statements continued

6—Revenues

The proportion of total revenues of \$14,616,995 contributed by different businesses was as follows:

	1975 \$	1974 \$
Manufacturing	12,579,480	11,455,121
Construction and engineering	2,037,515	1,872,935
	<u>14,616,995</u>	<u>13,328,056</u>

7—Earnings (Loss) Per Share

	1975 \$	1974 \$
From continuing operations24	.11
From operations before extraordinary items24	(.11)
Net profit (loss)38	(.82)

Earnings per share were calculated using the weighted monthly average number of shares outstanding.

8—Remuneration to Directors and Officers

Remuneration paid or payable to directors and senior officers amounted to \$135,289 (1974 - \$189,582).

9—Future Income Taxes

The company has accumulated losses for tax purposes of \$858,585 which may be carried forward and used to reduce taxable income in future years. These losses must be claimed no later than:

	\$
Year ending September 30, 1976	165,154
1977	137,801
1978	54,232
1979	200,828
1980	300,570
	<u>858,585</u>

These losses have been increased as a result of claiming additional capital cost allowances in the 1974 and 1975 fiscal years.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA
AND IN PRINCIPAL AREAS
OF THE WORLD

TELEPHONE (416) 525-0002
105 MAIN STREET EAST
HAMILTON, ONTARIO, CANADA
L8N 1G6

November 28, 1975

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Bartaco Industries Limited and its subsidiaries as at September 30, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
CHARTERED ACCOUNTANTS.



BARTACO INDUSTRIES LIMITED

HEAD OFFICE: West Street South, Orillia, Ontario, L3V 6L3

PRINCIPAL OPERATING PLANTS

ORILLIA	Otaco Limited - Foundry Division
	Otaco Limited - Factory Division
	Otaco Industries Limited - Transit Seating Division
	Otaco Limited - Electronic Division
REXDALE	The Gas Machinery Company (Canada) Limited Wayne Forge Limited.